



6450-01-P

DEPARTMENT OF ENERGY

Western Area Power Administration

Central Arizona Project - Rate Order No. WAPA-172

AGENCY: Western Area Power Administration, DOE.

ACTION: Notice of Proposed Transmission Rates.

SUMMARY: The Western Area Power Administration (Western), a power marketing administration within the Department of Energy (DOE), is proposing an adjustment to the Central Arizona Project (CAP) transmission rates for firm point-to-point transmission service, non-firm point-to-point transmission service, and Network Integration Transmission Service (NITS) on the CAP 115/230-kilovolt (kV) transmission lines. Current rates, under Rate Schedules CAP-FT2, CAP-NFT2 and CAP-NITS2, expire December 31, 2015. Western is not proposing any changes to the existing rate-setting formula through December 31, 2020, but is proposing to adjust the existing rates to provide sufficient revenue to cover all annual costs, including interest expenses, and to repay required investment within the allowable period. Western is also proposing to begin charging for short-term transmission service on the Navajo (500-kV) portion of the CAP under Rate Schedule CAP-NFT3. Western currently markets excess transmission service from the Navajo (500-kV) portion of the CAP on a short-term (less than 12 months) basis at current CAP 115/230-kV rates under Western's Administrator's authority to set rates for short-term sales (Department of Energy Delegation Order No. 00-037.00A, ¶1.5). Western will prepare and provide a brochure detailing information on the proposed rates. Proposed rates, under Rate Schedules CAP-FT3, CAP-NFT3, and CAP-NITS3,

are scheduled to go into effect on January 1, 2016, and remain in effect through December 31, 2020. Publication of this Federal Register notice begins the formal process for the proposed rates.

DATES: The consultation and comment period begins today and will end [INSERT DATE 90 DAYS AFTER DATE OF PUBLICATION IN FEDERAL REGISTER]. Western will present a detailed explanation of the proposed rates at a public information forum on August 27, 2015, beginning at 10:00 a.m. MST, in Phoenix, Arizona. Western will accept oral and written comments at a public comment forum on September 24, 2015, beginning at 10:00 a.m. MST, in Phoenix, Arizona. Western will accept written comments any time during the 90-day consultation and comment period.

ADDRESSES: The public information forum and public comment forum will be held at the Desert Southwest Customer Service Regional Office, located at 615 South 43 Avenue, Phoenix, Arizona, on the dates cited above. Written comments should be sent to Mr. Ronald E. Moulton, Senior Vice President and Desert Southwest Regional Manager, Desert Southwest Customer Service Region, Western Area Power Administration, P.O. Box 6457, Phoenix, Arizona 85005-6457, e-mail moulton@wapa.gov. Written comments may also be faxed to (602) 605-2490, attention: Mr. Jack Murray, Rates Manager. Western will post official information about the rate process on its website at <http://www.wapa.gov/dsw/pwrnkt/CAPTRP/CAPTRP.htm>. Western will also post official comments received via letter, fax and e-mail to this website. Western must receive written comments by the end of the consultation and comment period to ensure they are considered in Western's decision-making process. For more information regarding attending the forum, see the Attendance at the Forum section of this notice.

FOR FURTHER INFORMATION CONTACT: Mr. Jack Murray, Rates Manager, Desert Southwest Customer Service Region, Western Area Power Administration, P.O. Box 6457, Phoenix, Arizona 85005-6457, telephone (602) 605-2442, e-mail jmurray@wapa.gov.

SUPPLEMENTARY INFORMATION: The existing Rate Schedules CAP-FT2, CAP-NFT2, and CAP-NITS2, under Rate Order No. WAPA-124¹, were approved for a 5-year period beginning on January 1, 2006, and ending December 31, 2010. The schedules received final approval from the Federal Energy Regulatory Commission (FERC) on June 29, 2006. Rate Order No. WAPA-153² extended these rate schedules for a 2-year period, beginning January 1, 2011, through December 31, 2012. Rate Order No. WAPA-158³ extended these rate schedules for a 3-year period beginning January 1, 2013, through December 31, 2015. Western's Administrator, under the authority delegated to set rates for short-term sales, approved sales of excess Navajo transmission service at the effective CAP 115/230-kV transmission rate. This approval, which only applies to sales of short-term (less than 12 months) transmission service on the Navajo system, was approved effective September 1, 2011. Western is proposing a modification to the Applicability section of Rate Schedule CAP-NFT3 to include the marketing of short-term Navajo transmission service at the effective CAP transmission service rate.

Proposed rates for point-to-point transmission service and NITS on the CAP 115/230-kV transmission system are based on a revenue requirement that recovers the investment on the CAP transmission lines, costs for facilities associated with providing transmission service and non-facility costs allocated to transmission service. Proposed rates for point-to-point transmission

¹ FERC confirmed and approved Rate Order No. WAPA-124 on June 29, 2006, in Docket No. EF06-5111-000. *See United States Department of Energy, Western Area Power Administration, Central Arizona Project*, 115 FERC ¶ 62,326.

² 76 FR 548 (January 5, 2011).

³ 78 FR 18335 (March 26, 2013).

service on the CAP 115/230-kV transmission system are determined by combining the average annual amortization costs with the average annual operations and maintenance costs, and dividing them by the average annual long-term firm transmission service reservations for the cost evaluation period (fiscal years 2016-2020).

Table 1- Existing and Proposed Rates for Firm and Non-Firm Transmission Service

Type of Service	Existing Rates January 1, 2015 through December 31, 2015	Proposed Rates CAP 115/230-kV system (Jan. 1, 2016)	Percent Change
Firm Transmission Service	\$13.56/kW-year	\$14.88/kW-year	10%
Non-firm Transmission Service	1.55 mills/kWh	1.70 mills/kWh	10%

The table above compares the existing and proposed rates for transmission service. The proposed rates result in a firm point-to-point CAP 115/230-kV transmission rate of \$14.88 per kilowattyear and a non-firm point-to point CAP 115/230-kV transmission rate of 1.70 mills/kilowatthour (kWh). The proposed CAP rate reflects a 10 percent rate increase compared to the FY 2015 rate due primarily to an increase in construction costs to replace the aging ED2-Saguaro line. The construction started in 2015 and the costs are expected to be spread over a 5-year period. These proposed rates are based on the most current financial data available. Prior to their effective date of January 1, 2016, these proposed rates are subject to change, consistent with the procedures of 10 CFR part 903 if relevant and material financial data not previously considered becomes available prior to the publication of the final rates.

NITS allows a transmission customer to integrate, plan, economically dispatch, and regulate its network resources to serve its native load in a manner comparable to how a transmission

provider uses its own transmission system to service its native load customers. The monthly charge methodology for NITS on the CAP 115/230-kV transmission lines is the product of the transmission customer's load-ratio share multiplied by one-twelfth of the annual transmission revenue requirement. The customer's load-ratio share is calculated on a rolling 12-month basis. The customer's load-ratio share is equal to that customer's hourly load coincident with the CAP 115/230-kV transmission lines' monthly transmission system peak divided by the resultant value of the CAP 115-kV and 230-kV transmission lines' coincident peak for all firm point-to-point transmission service plus the CAP 115/230-kV transmission lines' firm point-to-point transmission service reservations. The proposed rates include the costs for scheduling, system control, and dispatch service. Western's existing rate formula requires recalculation of the rates annually based on updated financial data.

Attendance at the Forum

Access to Western facilities is controlled. U.S. citizen's need to bring an official form of identification (that meets the requirement of the Real ID Act), such as a U.S. driver's license, U.S. passport, U.S. Government ID, or U.S. Military ID, which you will be asked to show prior to signing in.

Foreign nationals planning to attend need to contact Mr. Jack Murray, Rates Manager, (602) 605-2442, email jmurray@wapa.gov, immediately to obtain the necessary form for admittance. This form must be completed at least 30 days in advance for visitors from non-sensitive countries; and 45 days in advance for visitors from sensitive countries. Failure to complete this approval process may result in denial of admittance.

Legal Authority

Since the proposed rates constitute a major adjustment as defined by 10 CFR part 903, Western will hold both a public information forum and a public comment forum. Western will review all timely public comments and make amendments or adjustment to the proposal, as appropriate, consistent with 10 CFR part 903.

Western is establishing rates for transmission service for CAP under the Department of Energy Organization Act (42 U.S.C. 7152); the Reclamation Act of 1902 (ch. 1093, 32 Stat. 388), as amended and supplemented by subsequent laws, particularly section 9(c) of the Reclamation Project Act of 1939 (43 U.S.C. 485h(c)); and other acts that specifically apply to the project involved.

By Delegation Order No. 00-037.00, effective October 25, 2013, the Secretary of Energy delegated: (1) the authority to develop power and transmission rates to Western's Administrator; (2) the authority to confirm, approve, and place such rates into effect on an interim basis to the Deputy Secretary of Energy; and (3) the authority to confirm, approve, and place into effect on a final basis, to remand, or to disapprove such rates to the FERC. Existing DOE procedures for public participation in power rate adjustments (10 CFR part 903) were published on September 18, 1985.

Availability of Information

All brochures, studies, comments, letters, memorandums, and other documents that Western initiated or used to develop the proposed rates are available for inspection and copying at the Desert Southwest Customer Service Regional Office, Western Area Power Administration, located at 615 South 43 Avenue, Phoenix, Arizona 85009-5313. Many of these documents and

supporting information are also available on Western's website at:

<http://www.wapa.gov/dsw/pwrmkt/CAPTRP/CAPTRP.htm>.

RATEMAKING PROCEDURE REQUIREMENTS

Environmental Compliance

In compliance with the National Environmental Policy Act (NEPA) of 1969 (42 U.S.C. 4321-4347); Council on Environmental Quality Regulations (40 CFR parts 1500-1508); and DOE NEPA Regulations (10 CFR part 1021), Western is in the process of determining whether an environmental assessment or an environmental impact statement should be prepared or if this action can be categorically excluded from those requirements.

Determination Under Executive Order 12866

Western has an exemption from centralized regulatory review under Executive Order 12866; accordingly, no clearance of this notice by the Office of Management and Budget is required.

Dated: July 17, 2015

Mark A. Gabriel
Administrator

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